

# News U Can Use

*August 07, 2015*

The Week that was...  
03<sup>rd</sup> August to 07<sup>th</sup> August

# Indian Economy

- ❑ Indian manufacturing activity expanded at its fastest pace in six months in July as new export orders accelerated. The Nikkei Manufacturing Purchasing Managers' Index (PMI), compiled by Markit, rose to a six-month high of 52.7 in July from 51.3 recorded in June.
- ❑ The Nikkei Services PMI, compiled by Markit, rose to 50.8 in July from 47.7 in June. The seasonally-adjusted Nikkei India Composite PMI Output Index climbed to 52.0 in July from 49.2 in June. Increase in service activity can be attributed to a renewed increase in new business.
- ❑ The households expect inflation to be at 10.1% in the next three-month period, up from 8.5% and 8.3%, respectively from the previous two surveys, as per the 'Inflation Expectations Survey of Households' for June released by the RBI. Inflation expectation for the next one year is 10.3% against 9.1% and 8.9% in the previous two surveys.
- ❑ India's indirect tax revenues increased 37% on a yearly basis in the June quarter, the Finance Minister said. The Minister also said that the Government will spend more on building roads if revenues rise.
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# Indian Equity Market

Domestic Equity Market Indices			
Indices	07-Aug-15	1 Week Return	YTD Return
S&P BSE Sensex	28236.39	0.43%	2.65%
CNX Nifty Index	8564.6	0.37%	3.39%
S&P BSE Mid-Cap	11557.52	2.52%	10.70%
S&P BSE Small-Cap	12104.47	2.31%	7.83%

Source: MFI Explorer

Ratios	S&P BSE Sensex	CNX Nifty	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	22.59	23.61	24.47	48.48
P/B	3.08	3.49	2.73	2.19
Dividend Yield	1.29	1.4	1.24	0.94

Source: BSE, NSE

Value as on August 07, 2015

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
03-Aug-15	980	549	1.79
04-Aug-15	826	677	1.22
05-Aug-15	1002	535	1.87
06-Aug-15	664	856	0.78
07-Aug-15	655	862	0.76

Source: NSE

- ▣ Indian equity markets rose after final reading of a private survey showed that the manufacturing activities rose to a six-month high in July and the Services PMI touched a 2-year high of 51.4 during the same month.
  
- ▣ Investor sentiments also improved after the Reserve Bank of India cut the consumer inflation forecast for January-March 2016 by 0.2% at its monetary policy review.
  
- ▣ Meanwhile, the Government's plans to infuse additional capital into public-sector banks and strong quarterly results by blue-chip companies also supported the bourses.

# Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	19765.2	3.44%	4.21%
S&P BSE Bankex	21702.4	0.95%	0.60%
S&P BSE CD	11413.5	2.95%	5.37%
S&P BSE CG	18392.3	1.72%	2.19%
S&P BSE FMCG	8141.03	0.09%	3.37%
S&P BSE HC	17521.2	2.78%	3.14%
S&P BSE IT	11168.7	0.87%	5.83%
S&P BSE Power	8672.8	-0.02%	0.30%
S&P BSE Realty	1437.2	3.59%	-0.69%

Source: Reuters Values as on August 07, 2015

- On the BSE sectoral front, barring S&P BSE Power, all the indices closed in green. S&P BSE Realty topped the chart and delivered 3.59% return, followed by S&P BSE Auto (3.44%) and S&P Consumer Durables (2.95%).
- Meanwhile, buying interest was also witnessed in Pharma stocks after an industry heavyweight decided to expand its operations in Europe and grow its proprietary products business over the next two years.

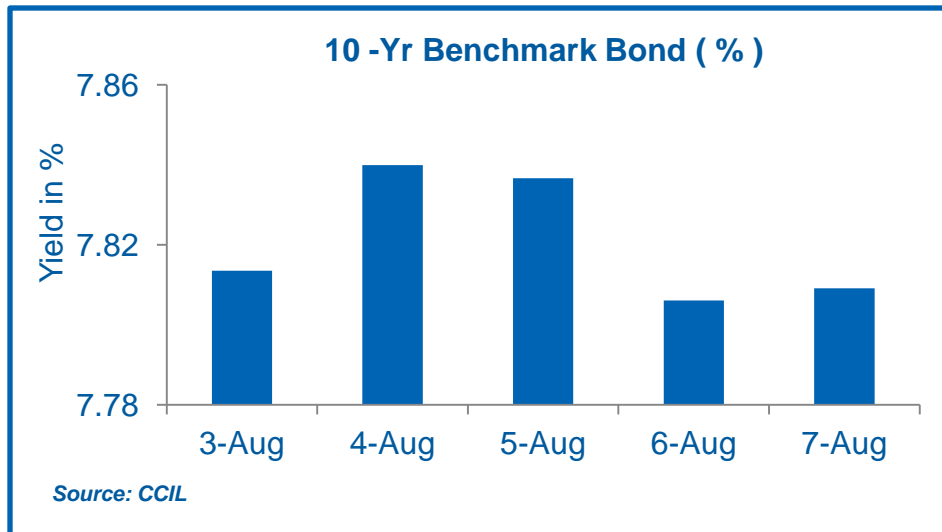
## Indian Derivatives Market Review

- During the week, Nifty August 2015 Futures stood at 8,594.10 points, a premium of 29.50 points against the spot closing of 8,564.60 points. The turnover on NSE Futures and Options segment fell to Rs. 8.12 lakh crore during the week ended August 7 from Rs. 18.77 lakh crore in the previous week.
- The Put-Call ratio stood at 0.92 compared to the previous week's close of 0.77.
- The Nifty Put-Call ratio stood at 0.99 compared to the previous week's close of 0.91.

# Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	7.12	7.09	7.02	7.75
91 Day T-Bill	7.39	7.44	7.47	8.27
08.27% 2020, (5 Yr GOI)	7.95	7.94	7.96	--
07.72% 2025, (10 Yr GOI)	7.81	7.81	7.78	--

Source: Reuters Values as on August 07, 2015



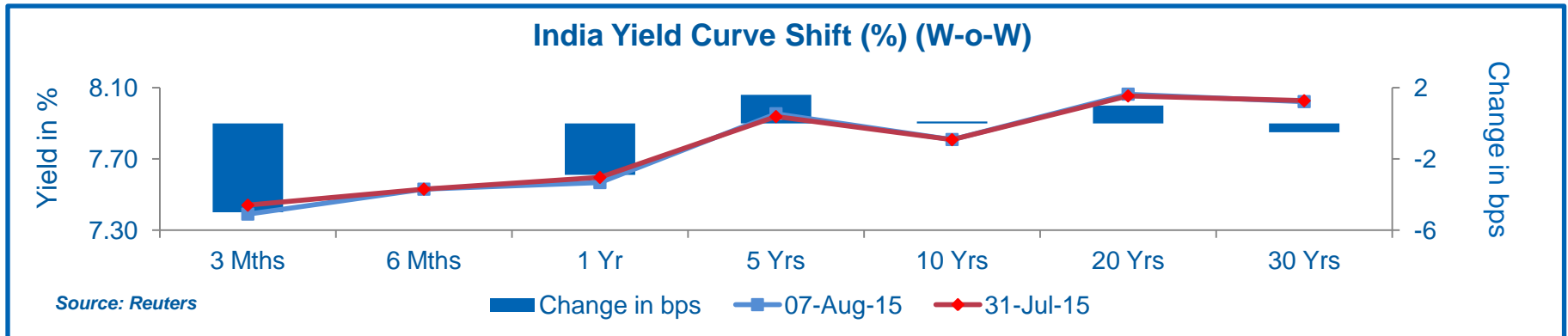
- The yield on the 10-year benchmark bond 7.72% GS 2025 closed steady at 7.81%, same as the previous week's close, after moving in the range of 7.78% to 7.86%.
- Initially, bond yields rose after the Reserve Bank of India (RBI) did not provide any timeline for further monetary easing at its third bi-monthly policy meeting. The RBI said that further easing will depend on inflation and monsoon outlook.
- However, the trend reversed on the back of fall in international crude oil prices, which may lead to easing of inflation and provide scope for further rate cuts going forward.

# Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.70	8.17	46.7
3 Year	8.04	8.25	21.1
5 Year	8.13	8.44	30.8
10 Year	8.00	8.43	43.1

Source: Reuters Values as on August 07, 2015

- Yield on Gilt Securities rose by up to 2 bps or closed flat across the maturities barring 1 and 15-year papers that fell by 3 bps and 1 bps, respectively.
- Corporate Bond yields fell by up to 3 bps across the maturity bracket barring 2 and 3-year that increased by 3 bps each.
- Spread between AAA Corporate Bond and Gilt contracted up to 4 bps across the maturities except 2 and 3-year that expanded 3 bps and 2 bps, respectively.



# Regulatory Updates in India

- ❑ The Reserve Bank of India (RBI) at its third bi-monthly monetary policy review kept its key policy rates unchanged at 7.25%. The RBI Governor opined that headline inflation remains at elevated level and banks are yet to pass on the full benefits of previous rate cuts. He further added that the Central Bank awaits greater transmission of its front-loaded past actions and will monitor developments for more accommodation.
- ❑ According to the RBI, easy liquidity condition is necessary for the consumers to get the benefits of rate reduction.
- ❑ According to the Securities and Exchange Board of India (SEBI) Chairman, the capital market regulator has progressively tightened rules governing participatory notes (PN) and is aware of the identity of their owners. The SEBI Chief further added that both issuers and buyers of PNs have to be from countries that are compliant with regulations of the Financial Action Task Force.
- ❑ The RBI is considering raising the spending limit on e-wallets, which are gradually becoming the preferred mode of payment for utility bills and online purchases. The move is being considered by the Central Bank as many mobile wallet companies have urged the RBI to hike the limit.
- ❑ Capital market regulator Securities and Exchange Board of India (SEBI) has asked listed companies and their promoters to make more disclosures about pledging of shares, including exact purpose of the encumbrance, and also disclose the name of the lender.



## Regulatory Updates in India (contd..)

- SEBI may relax disclosure rules for companies that are planning to go for initial public offering. The objective of the move is to enable a smooth transition to the new accounting standards. At present, SEBI mandates firms to disclose the previous five years' financial statements in IPO document.

# Global News/Economy

- ❑ The U.S. service index rose at a rapid pace to 60.3 in July from 56.0 in June, according to a report by the Institute for Supply Management. The new orders index jumped to 63.8 from 58.3, while the business activity index climbed to 64.9 from 61.5.
- ❑ According to a report by the U.S. Labour Department, non-farm payroll employment rose by 215,000 jobs in July, following an upwardly revised increase of 231,000 jobs in June. The unemployment rate stood at 5.3% in July, unchanged from the seven-year low touched in June.
- ❑ According to a report by payroll processor ADP, private sector employment rose by 185,000 jobs in July, lower than downwardly revised increase of 229,000 jobs (237,000 jobs originally reported) in June.
- ❑ Final data from Markit Economics showed that Euro area Manufacturing PMI expanded to 52.4 in July, better than initially estimated 52.2, but lower than 14-month high of 52.5 recorded in June. The index continued to remain in expansionary mode since July 2013.
- ❑ Markit survey showed that the U.K. Services PMI index fell to 57.4 in July from 58.5 in June.
- ❑ A report by Markit Economics showed that Greece's Manufacturing PMI plunged to a seasonally-adjusted 30.2 in July against 46.9 in June. It is the lowest level seen in the survey's history.
- ❑ Final data from Markit Economics showed that China Manufacturing Caixin PMI fell to a 2-year low of 47.8 (flash score of 48.2) in July from 49.4 recorded in June. Decline in orders and production took the latest level of index to its weakest since July 2013.

# Global Equity Markets

Global Indices			
Indices	07-Aug-15	1-Week Return	YTD Return
Dow Jones	17373.4	-1.79%	-2.58%
Nasdaq 100	4520.08	-1.50%	6.85%
FTSE 100	6718.49	0.33%	2.61%
DAX Index	11490.8	1.61%	17.68%
Nikkei Average	20724.6	0.68%	19.05%
Straits Times	3196.66	-0.18%	-5.16%

*Source: Reuters Values as on August 07, 2015*

## U.S.

- The U.S. markets fell over the week as downbeat economic data like U.S. manufacturing sector and construction spending weighed on investor sentiments.
- Besides, downbeat U.S. job data only accentuated the fall. However, this also raised expectations that the U.S. Federal Reserve may not hike interest rates in the near term.

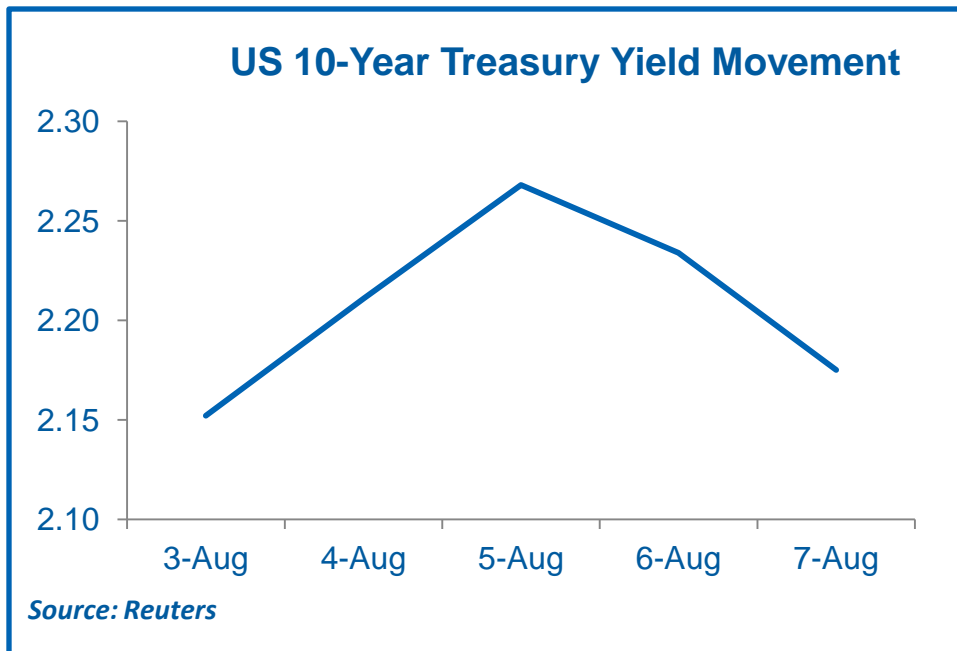
## Europe

- European markets exhibited an upward trend after the Euro area manufacturing sector continued to expand in July. Positive services sector data from Euro zone and China also boosted investor sentiments. Upbeat corporate earnings reports provided additional support to the bourses. However, some pressure was witnessed after the Bank of England kept the interest rate unchanged.

## Asia

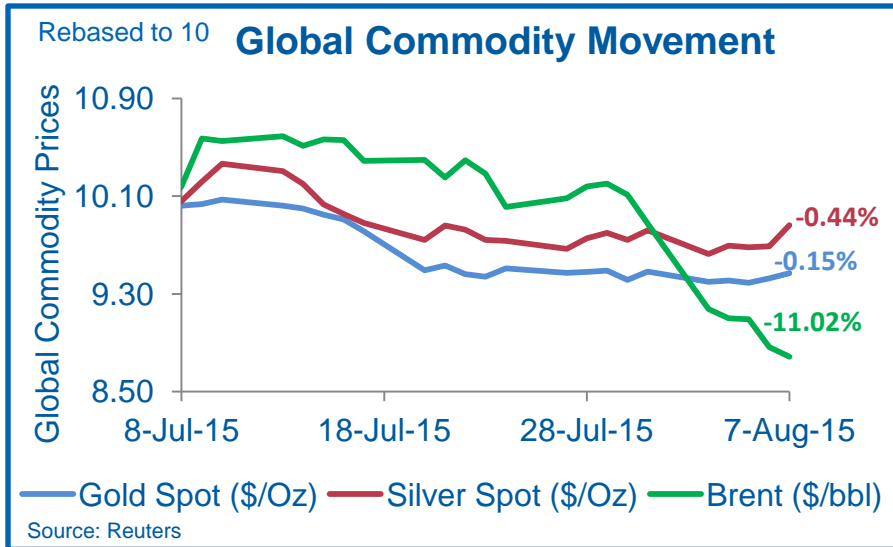
- Asian markets remained subdued following weakness in Chinese manufacturing data. Meanwhile, Japanese markets gained after data from the country's Central Bank showed that the monetary base in Japan jumped in July. Moreover, the Bank of Japan left the overall assessment unchanged at its policy review.

# Global Debt (U.S.)



- The yield on the 10-year U.S. Treasury bond fell by 2 bps during the week to close at 2.18% compared to the previous week's close of 2.20%. The paper moved in the range of 2.15% to 2.27%.
- Initially, the U.S. Treasury prices rose on the back of weak U.S. economic data and lower inflation outlook amid fall in international oil prices.
- However, the trend reversed after comments from a top Fed official revived hope of a rate hike in September.
- At the end, most of the gains were erased after non-farm payroll data for July came lower than expected.

# Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	47.73	53.64
Gold (\$/Oz)	1093.8	1095.4
Gold (Rs/10 gm)	24668	24592
Silver (\$/Oz)	14.84	14.77
Silver (Rs/Kg)	33695	33611

Source: Reuters Values as on August 07, 2015

## Gold

- Gold prices rose initially during the week as the safe-haven appeal of the metal improved following weak U.S. economic data. However, the trend reversed later after comments from a Federal Reserve official increased the possibility of an interest rate hike soon.

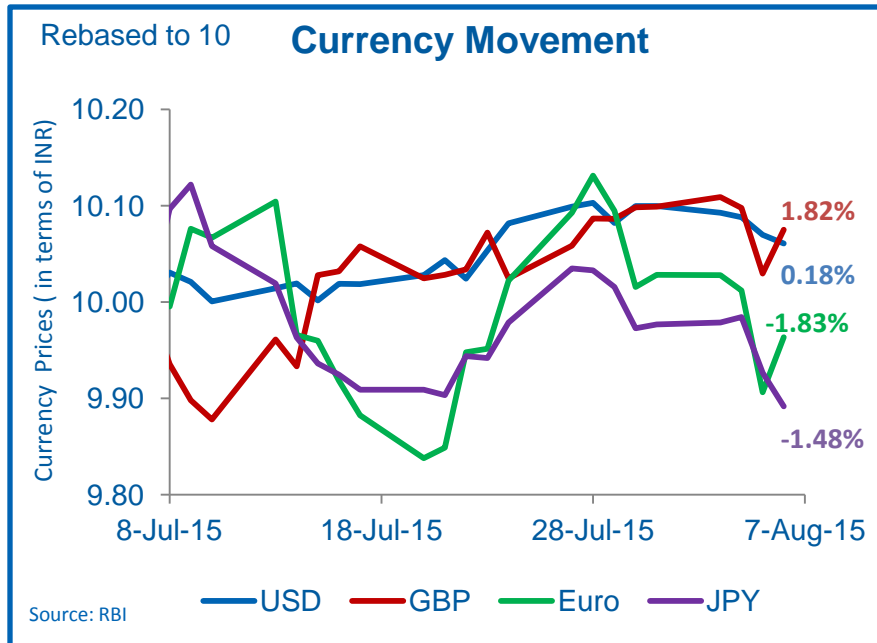
## Crude

- Brent crude prices fell on concerns over rise in production by the Organization of the Petroleum Exporting Countries, slowing demand in China and unexpected rise in gasoline stock in the U.S. last week.

## Baltic Dry Index

- The Baltic Dry Index rose during the week on the back of strong capesize and panamax activities.

# Currencies Markets



## Rupee

- The domestic currency rose against the greenback amid weak U.S. economic data and on hopes of foreign fund inflows.

## Euro

- The euro weakened against the dollar following plunge in Greek equity markets and on comments from a Fed official that revived hope of a rate hike in September.

## Pound

- The pound fell against the dollar after growth in the U.K.'s construction sector slowed unexpectedly in July and the Bank of England's monetary policy remained dovish.

## Yen

- The yen remained weak against the dollar on hopes of upbeat U.S. jobs data. The Japanese currency fell further after the U.S. services sector expanded at its fastest pace in 10 years.

Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	63.81	64.01
Pound Sterling	98.93	99.84
EURO	69.66	70.16
JPY(per 100 Yen)	51.13	51.55

Source: RBI Figures in INR , Values as on August 07, 2015

The Week that was...  
03<sup>rd</sup> August to 07<sup>th</sup> August

# The Week that was (August 03 – August 07)

Date	Events	Present Value	Previous Value
Monday, August 03	☐ China Caixin Manufacturing PMI (Jul)	47.8	48.2
	☐ U.S. ISM Manufacturing PMI (Jul)	52.7	53.5
	☐ Euro Zone Markit Manufacturing PMI (Jul)	52.4	52.2
Tuesday, August 04	☐ Reserve Bank of India Monetary Policy Review	7.25%	7.25%
	☐ U.K. PMI Construction (Jun)	57.1	58.1
	☐ Euro Zone Producer Price Index (MoM) (Jun)	-0.10%	0.00%
	☐ U.S. Factory Orders (MoM) (Jun)	1.80%	-1.10%
Wednesday, August 05	☐ U.S. ADP Employment Change (Jul)	185K	229K
	☐ U.S. Markit PMI Composite (Jul)	55.7	55.2
	☐ Euro Zone Markit PMI Composite (Jul)	53.9	53.7
Thursday, August 06	☐ Bank of England Interest Rate Decision	0.50%	0.50%
	☐ U.K. NIESR GDP Estimate (3M) (Jul)	0.70%	0.70%
	☐ U.K. Industrial Production (YoY) (Jun)	1.50%	1.90%
	☐ U.S. Initial Jobless Claims (Jul 31)	270K	267K
Friday, August 07	☐ U.S. Unemployment Rate (Jul)	5.30%	5.30%
	☐ U.S. Nonfarm Payrolls (Jul)	215K	231K



The Week Ahead...  
August 10 to August 14

# The Week Ahead

Day	Event
<b>Monday, August 10</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Japan Consumer Confidence Index (Jul)</li> <li><input type="checkbox"/> Euro Zone Sentix Investor Confidence (Aug)</li> </ul>
<b>Tuesday, August 11</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Germany ZEW Survey - Economic Sentiment (Aug)</li> <li><input type="checkbox"/> Euro Zone ZEW Survey - Economic Sentiment (Aug)</li> </ul>
<b>Wednesday, August 12</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> China Retail Sales (YoY) (Jul)</li> <li><input type="checkbox"/> Euro Zone Industrial Production s.a. (MoM) (Jun)</li> <li><input type="checkbox"/> India Industrial Output (Jun)</li> <li><input type="checkbox"/> India Consumer Price Index (Jul)</li> </ul>
<b>Thursday, August 13</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.S. Initial Jobless Claims (Aug 7)</li> <li><input type="checkbox"/> U.S. Retail Sales (MoM) (Jul)</li> <li><input type="checkbox"/> Germany Consumer Price Index (MoM) (Jul)</li> </ul>
<b>Friday, August 14</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Euro Zone Consumer Price Index (MoM) (Jul)</li> <li><input type="checkbox"/> Euro Zone Gross Domestic Product s.a. (YoY) (Q2) Preliminary</li> <li><input type="checkbox"/> U.S. Industrial Production (MoM) (Jul)</li> <li><input type="checkbox"/> India Wholesale Price Index (Jul)</li> </ul>

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